Mamusa Local Municipality

Annual Financial Statements
for the year ended 30 June 2018

General Information

Nature of business and principal activities	Provision of municipal services to communities within Schweizer - Reneke, Amalia, Glaudinah and surrounding areas.
Mayoral committee	
Mayor	A Motswana
Councillors	Mr E Chubisi
	Mr LL Mongale
	Mr CP Herbst
	Mr JZ Jengeca
	Mrs NA Keohitlhetse
	Mr DP Khuduga
	Mr NM Killian
	Mrs MV Lee
	Mr S Sarel
	Mr EK Maine
	Ms L Moseki
	Ms MY Moyake
	Ms PF Mpitsang
	Ms MJ Rapudi
	Mr KS Sediti
	Mr TM Sepato
	Mrs LR Silane
Grading of local authority	3
Accounting Officer	Mr Mokgatlhe Ratlhogo
Chief Finance Officer (CFO)	Mr Itumeleng Lekawa
Registered office	28 Schweizer Street Schweizer-Reneke 2780
Postal address	P O Box 05 Schweizer-Reneke 2780
Bankers	First National Bank
Auditors	Auditor General Of South Africa
Telephone	053 963 1331
Fax	053 963 2474

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on pages 6 to 67, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R17,657,860 (2017: deficit R 24,795,988), after taxation of R66,773,865 (2017: R24,795,988).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had accumulated surplus of R 348,240,875 .

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Auditors

Auditor General Of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Inventories	6	50,012,767	50,191,939
Receivables from exchange transactions	7	5,844,208	3,426,342
Receivables from non-exchange transactions	8	881,978	527,855
VAT receivable	9	35,019,468	517,926
Consumer debtors	10	59,591,120	48,484,863
Cash and cash equivalents	11	10,289,443	6,643,582
		161,638,984	**109,792,507**
Non-Current Assets			
Investment property	2	34,420,000	26,537,000
Property, plant and equipment	3	355,562,467	370,297,923
Intangible assets	4	1,035,953	1,229,358
		391,018,420	**398,064,281**
Non-Current Assets		391,018,420	398,064,281
Current Assets		161,638,984	109,792,507
Total Assets		**552,657,404**	**507,856,788**
Liabilities			
Current Liabilities			
Finance lease obligation	12	254,328	230,906
Payables from exchange transactions	15	118,350,128	97,630,421
VAT payable	16	33,480,255	-
Consumer deposits	17	2,485,673	1,707,027
Employee benefit obligation	5&14	1,317,878	931,715
Unspent conditional grants and receipts	13	8,886,384	7,732,755
Provisions	14	7,071,176	4,218,489
		171,845,822	**112,451,313**
Non-Current Liabilities			
Finance lease obligation	12	308,339	82,434
Employee benefit obligation	5&14	28,936,357	26,354,485
Provisions	14	3,326,005	3,069,819
		32,570,701	**29,506,738**
Non-Current Liabilities		32,570,701	29,506,738
Current Liabilities		171,845,822	112,451,313
Total Liabilities		**204,416,523**	**141,958,051**
Assets		552,657,404	507,856,788
Liabilities		(204,416,523)	(141,958,051)
Net Assets		**348,240,881**	**365,898,737**
Accumulated surplus		348,240,875	365,898,741

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Service charges	21	58,363,202	52,562,655
Rental of facilities and equipment	36	460,257	656,398
Licences and permits		849,278	1,499,490
Other income	25	7,926,836	2,136,308
Interest earned	30	12,868,961	9,577,300
Fair value adjustments		7,883,000	2,267,000
Actuarial gains		228,199	-
Total revenue from exchange transactions		**88,579,733**	**68,699,151**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	10,061,381	12,053,788
Transfer revenue			
Government grants & subsidies	22	71,814,115	66,502,627
Public contributions and donations	23	-	380,027
Fines		443,600	360,700
Total revenue from non-exchange transactions		**82,319,096**	**79,297,142**
		88,579,733	68,699,151
		82,319,096	79,297,142
Total revenue	19	**170,898,829**	**147,996,293**
Expenditure			
Employee related costs	27	(58,577,471)	(57,883,479)
Remuneration of councillors	28	(6,430,764)	(6,281,726)
Depreciation and amortization	32	(26,728,564)	(20,960,368)
Impairment loss/ Reversal of impairments	33	-	(2,512,806)
Finance costs	34	(10,798,711)	(6,680,753)
Rental equipment		(248,629)	(908,740)
Bad debts written off	29	(3,896,456)	(3,003,741)
Indigent subsidy		(24,431,959)	(10,903,742)
Repairs and maintenance		(3,891,543)	(2,313,012)
Bulk purchases	38	(28,418,688)	(26,162,714)
Contracted services	37	(14,065,254)	(17,738,448)
Loss on disposal of assets and liabilities		-	(2,531,952)
General Expenses	26	(11,068,650)	(14,910,800)
Total expenditure		**(188,556,689)**	**(172,792,281)**
		-	-
Total revenue		170,898,829	147,996,293
Total expenditure		(188,556,689)	(172,792,281)
Operating surplus/deficit		-	-
Deficit before taxation		(17,657,860)	(24,795,988)
Taxation		-	-
Deficit for the year		**(17,657,860)**	**(24,795,988)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	375,773,660	375,773,660
Adjustments		
Prior year adjustments	14,921,069	14,921,069
Balance at 01 July 2016 as restated*	**390,694,729**	**390,694,729**
Changes in net assets		
Deficit for the year	(24,795,988)	(24,795,988)
Total changes	(24,795,988)	(24,795,988)
Opening balance as previously reported	388,935,125	388,935,125
Adjustments		
Prior year adjustments	(23,036,390)	(23,036,390)
Balance at 01 July 2017 as restated*	**365,898,735**	**365,898,735**
Changes in net assets		
Surplus for the year	(17,657,860)	(17,657,860)
Total changes	(17,657,860)	(17,657,860)
Balance at 30 June 2018	**348,240,875**	**348,240,875**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Property rates		10,291,566	9,358,377
Services charges		35,099,241	52,697,879
Other receipts		11,653,117	4,949,078
Interest income		12,868,961	9,577,300
Grants - Operational		57,603,423	56,086,400
Grants - Capital	22	14,210,051	15,979,000
		141,726,359	148,648,034
Payments			
Employee costs		(65,008,235)	(64,165,205)
Suppliers		(50,723,176)	(53,749,368)
Finance costs		(10,798,711)	(6,680,753)
		(126,530,122)	(124,595,326)
Total receipts		141,726,359	148,648,034
Total payments		(126,530,122)	(124,595,326)
Net cash flows from operating activities	39	**15,196,237**	**24,052,708**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(11,799,704)	(18,233,436)
Proceeds from sale of property, plant and equipment	3	-	(38)
Net cash flows from investing activities		**(11,799,704)**	**(18,233,474)**
Cash flows from financing activities			
Finance lease payments		249,330	(294,388)
Net increase/(decrease) in cash and cash equivalents		**3,645,863**	**5,524,846**
Cash and cash equivalents at the beginning of the year		6,643,582	1,118,736
Cash and cash equivalents at the end of the year	11	**10,289,445**	**6,643,582**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	46,579,766	2,628,000	**49,207,766**	58,363,202	**9,155,436**	The reason for the under budget was due to 2 of KVA(Industrial consumers) were not operating in the previous year (2016/2017) and in 2017/2018 were operating.
Rental of facilities and equipment	753,072	-	**753,072**	460,257	**(292,815)**	The underrecovery was due to most of the rental facilities being obsolete.
Licences and permits	2,605,204	-	**2,605,204**	849,278	**(1,755,926)**	Testing station has not been operating for 2017/2018 financial year resulting in the under recovery.
Other income - (rollup)	1,534,897	-	**1,534,897**	7,926,836	**6,391,939**	The over recovery of other income is due to insurance claims for the Municipal main office that was impaired that we received the claim in the current year.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Interest received	16,233,240	-	**16,233,240**	12,868,961	**(3,364,279)**	The decrease in interest received was due to a revenue strategy that was implemented that resulted in better collectionfrom debtors
Total revenue from exchange transactions	**67,706,179**	**2,628,000**	**70,334,179**	**80,468,534**	**10,134,355**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12,811,000	-	**12,811,000**	10,061,381	**(2,749,619)**	The decrease in property rates was due to the rebate that was given to the agricutural farm owners
Transfer revenue						
Government grants & subsidies	67,776,000	-	**67,776,000**	71,814,115	**4,038,115**	Less than 10% therefore reasonable.
Fines	372,920	-	**372,920**	443,600	**70,680**	There was better collection of traffic fines in the current year.
Total revenue from non-exchange transactions	**80,959,920**	**-**	**80,959,920**	**82,319,096**	**1,359,176**	
'Total revenue from exchange transactions'	67,706,179	2,628,000	**70,334,179**	80,468,534	**10,134,355**	
'Total revenue from non-exchange transactions'	80,959,920	-	**80,959,920**	82,319,096	**1,359,176**	
Total revenue	**148,666,099**	**2,628,000**	**151,294,099**	**162,787,630**	**11,493,531**	
Expenditure						
Personnel	(58,342,017)	-	**(58,342,017)**	(58,577,471)	**(235,454)**	Less than 10% therefore reasonable
Remuneration of councillors	(5,875,111)	-	**(5,875,111)**	(6,430,764)	**(555,653)**	Less than 10% therefore reasonable
Depreciation and amortisation	(26,816,050)	-	**(26,816,050)**	(26,728,564)	**87,486**	Less than 10% therefore reasonable

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Finance costs	(2,000,000)	-	**(2,000,000)**	(10,798,711)	**(8,798,711)**	Actual amounts are more than the budget due to ineterest charged being charged by suppliers as the municipality is still recovery from the arson that took place in 2016/17 FYE.
Debt Impairment	(21,500,448)	21,500,448	**-**	(3,896,456)	**(3,896,456)**	The over utilisation of the debt impairment is due to more people applying for indigent.
Indigent subsidy	-	-	**-**	(24,431,959)	**(24,431,959)**	The over utilisation of the debt impairment is due to more people applying for indigent.
Repairs and maintenance	(6,875,000)	-	**(6,875,000)**	(3,891,543)	**2,983,457**	under utilisation is due to the municipality not carying on all the planned projects.
Bulk purchases	(27,471,980)	(1,720,000)	**(29,191,980)**	(28,418,688)	**773,292**	Less than 10% therefore reasonable.
Contracted services	(28,712,731)	1,720,000	**(26,992,731)**	(14,065,254)	**12,927,477**	The under utilisation is due to the other budgeted contracts not spent such as Town planning and assistance from the province in paying some of the service providers.
General Expenses	(11,215,000)	300,000	**(10,915,000)**	(11,068,650)	**(153,650)**	Less than 10% therefore reasonable.
Total expenditure	**(188,908,333)**	**21,900,444**	**(167,007,889)**	**(188,556,689)**	**(21,548,800)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	148,666,099	2,628,000	**151,294,099**	162,787,630	**11,493,531**	
	(188,908,333)	21,900,444	**(167,007,889)**	(188,556,689)	**(21,548,800)**	
Operating deficit	**(40,242,234)**	**24,528,444**	**(15,713,790)**	**(25,769,059)**	**(10,055,269)**	
Fair value adjustments	-	-	**-**	7,883,000	**7,883,000**	The fair value movement is a non cash item and not budgetd for. This relates to fair value in investment property
Actuarial gains/losses	-	-	**-**	228,199	**228,199**	This are budgeted for under remuneration expense as they relates to long service awards and post medical defined plan.
	-	**-**	**-**	**8,111,199**	**8,111,199**	
	(40,242,234)	24,528,444	**(15,713,790)**	(25,769,059)	**(10,055,269)**	
	-	-	**-**	8,111,199	**8,111,199**	
Deficit before taxation	**(40,242,234)**	**24,528,444**	**(15,713,790)**	**(17,657,860)**	**(1,944,070)**	
Surplus before taxation	(40,242,234)	24,528,444	**(15,713,790)**	(17,657,860)	**(1,944,070)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(40,242,234)**	**24,528,444**	**(15,713,790)**	**(17,657,860)**	**(1,944,070)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Investment property which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Accounting Policies

1.5 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	5 - 100 years
Plant and equipment	Straight line	5 - 20 years
Infrastructure electricity	Straight line	10 - 50 years
Infrastructure roads	Straight line	5 - 100 years
Computer Equipment	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the statement of financial performance.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Accounting Policies

1.7 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	10 years
Website	Straight line	10 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

1.8 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

1.8 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Trade payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Finance lease	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

1.10 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Accounting Policies

1.13 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.13 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.15 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

1.16 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.17 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

1.22 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

Accounting Policies

1.25 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Accumulated surplus

The municipality's accumulated surplus or deficit for the year is accounted for in the accumulated surplus reserve in the statement of changes in net assets.

1.27 Value-Added Tax

The municipality applies the payment basis for VAT purpose as per Value-Added Tax Act. Output tax is payable as and when the purchase consideration are received and input will be claimed as and when payment is made.

Figures in Rand	2018	2017

2. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	34,420,000	-	34,420,000	26,537,000	-	26,537,000

Reconciliation of investment property - 2018

	Opening balance	**Fair value adjustments**	**Total**
Investment property	26,537,000	7,883,000	34,420,000

Reconciliation of investment property - 2017

	Opening balance	**Fair value adjustments**	**Total**
Investment property	24,270,000	2,267,000	26,537,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and building	250,427,613	(122,054,904)	128,372,709	250,427,613	(113,413,028)	137,014,585
Other assets	14,451,487	(11,956,834)	2,494,653	13,465,362	(10,438,260)	3,027,102
Infrastructure	402,448,006	(181,804,964)	220,643,042	382,282,008	(163,693,275)	218,588,733
Work in process	4,052,063	-	4,052,063	11,667,503	-	11,667,503
Total	**671,379,169**	**(315,816,702)**	**355,562,467**	**657,842,486**	**(287,544,563)**	**370,297,923**

Reconciliation of property, plant and equipment - 2018

	Opening balance	**Additions**	**Transfers**	**Depreciation**	**Total**
Buildings	137,014,585	-	-	(8,641,876)	128,372,709
Other assets	3,027,102	986,125	-	(1,518,574)	2,494,653
Infrastructure	218,588,733	-	18,429,019	(16,374,710)	220,643,042
Work in process	11,667,503	10,813,579	(18,429,019)	-	4,052,063
	370,297,923	**11,799,704**	**-**	**(26,535,160)**	**355,562,467**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land and building	135,935,835	-	-	8,813,367	-	1,581,097	(6,802,907)	(2,512,807)	137,014,585
Other assets	4,013,940	1,174,964	(472,266)	-	-	-	(1,689,536)	-	3,027,102
Infrastructure	205,603,135	1,178,240	(2,059,648)	18,002,273	-	8,139,674	(12,274,941)	-	218,588,733
Work in progess	22,602,912	15,880,232	-	-	(26,815,641)	-	-	-	11,667,503
	368,155,822	**18,233,436**	**(2,531,914)**	**26,815,640**	**(26,815,641)**	**9,720,771**	**(20,767,384)**	**(2,512,807)**	**370,297,923**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1,929,838	(893,885)	1,035,953	1,929,838	(700,480)	1,229,358

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	1,229,358	(193,405)	1,035,953

Figures in Rand	2018	2017

4. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	1,422,342	(192,984)	1,229,358

5. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an infunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2018 by One Pangaea Expertise & Solutions (‘OPES’), Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	2018	2017
Members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service (Employees) members	135	137
In-service (Employees) non-members	-	68
Continuation (Retirees, widowers) members	16	15
	151	**220**

	2018	2017
The liability in respect of the Past		
In-service (employee) members	18,315,750	16,035,644
Continuation (Retirees, widowers) members	9,137,202	8,698,861
	27,452,952	**24,734,505**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

-LA Health
-Key Health
-Bonitas
-Fed Health
-Samwumed
-Hosmed

The amounts recognized in the statement of Financial Position are as follows:

	2018	2017
Carrying value		
Present value of defined benefit obligation- Partly or wholly funded	27,452,952	24,734,505
Non-current liabilities	26,682,020	24,057,134
Current liabilities	770,932	677,371
	27,452,952	**24,734,505**

Figures in Rand	2018	2017

5. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	24,734,505	15,322,000
Benefits paid	(677,371)	(649,000)
Net expense recognised in the statement of financial performance	3,395,818	10,061,505
	27,452,952	**24,734,505**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.89 %	9.77 %
Expected rate of return on assets	6.25 %	6.54 %
Expected rate of return on reimbursement rights	7.75 %	8.04 %
Actual return on reimbursement rights	1.99 %	1.60 %

Retirement Age		
Average Retirement Age	62	63
Normal Retirement Age	65	63
	127	**126**

6. Inventories

Raw materials, components	821,002	821,002
Unsold property held for resale	49,191,765	49,370,937
	50,012,767	**50,191,939**

No Inventory was pledged as security for liabilities.

7. Receivables from exchange transactions

Employee costs in advance	24,992	24,992
Other debtors - MIG Government subsidy	5,819,216	3,401,350
	5,844,208	**3,426,342**

Trade and other receivables pledged as security

No Trade and other receivable were pledged as security by the municipality.

8. Receivables from non-exchange transactions

Traffic debtor	881,978	527,855

9. VAT receivable

VAT	35,019,468	517,926

Figures in Rand	2018	2017

10. Consumer debtors

Gross balances		
Rates	14,462,712	15,371,478
Electricity	11,339,918	11,249,196
Water	27,953,497	25,842,083
Waste water	36,914,798	32,377,581
Refuse	27,012,995	24,278,867
Debtors interest	74,569,822	69,297,657
Other Consumer debtors	17,503,232	16,337,401
	209,756,974	**194,754,263**
Less: Allowance for impairment		
Rates	(11,544,686)	(11,544,686)
Electricity	(8,448,663)	(8,448,663)
Water	(19,408,592)	(19,408,592)
Waste water	(24,317,051)	(24,317,051)
Refuse	(18,234,545)	(18,234,545)
Debtors interest	(52,045,724)	(52,045,724)
Other consumer debtors	(12,270,139)	(12,270,139)
	(146,269,400)	**(146,269,400)**
Net balance		
Rates	4,108,799	3,826,792
Electricity	3,221,626	2,800,533
Water	7,941,477	6,433,491
Waste water	10,487,347	8,060,530
Refuse	7,674,284	6,044,322
Debtors interest	21,184,989	17,251,933
Other consumer debtors	4,972,598	4,067,262
	59,591,120	**48,484,863**
	-	-
Rates		
Current (0 -30 days)	601,597	122
31 - 60 days	267,304	593,322
61 - 90 days	177,016	260,796
91 - 120 days	148,821	152,319
121 - 365 days	-	123,391
> 365 days	13,267,973	14,241,528
	14,462,711	**15,371,478**
Electricity		
Current (0 -30 days)	2,075,229	427,677
31 - 60 days	568,519	2,135,180
61 - 90 days	270,751	823,802
91 - 120 days	256,787	442,311
121 - 365 days	-	247,314
> 365 days	8,168,633	7,172,912
	11,339,919	**11,249,196**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Consumer debtors (continued)

Water		
Current (0 -30 days)	1,024,859	727
31 - 60 days	662,277	410,955
61 - 90 days	574,824	489,713
91 - 120 days	440,307	271,965
121 - 365 days	-	536,658
> 365 days	25,251,230	24,132,065
	27,953,497	**25,842,083**

Waste water		
Current (0 -30 days)	1,648,839	1,812
31 - 60 days	715,651	786,567
61 - 90 days	701,766	708,748
91 - 120 days	671,704	659,874
121 - 365 days	-	628,913
> 365 days	33,176,838	29,591,667
	36,914,798	**32,377,581**

Waste Management		
Current (0 -30 days)	975,434	1,201
31 - 60 days	468,943	537,033
61 - 90 days	465,832	488,786
91 - 120 days	441,186	459,327
121 - 365 days	-	443,837
> 365 days	24,661,599	22,348,683
	27,012,994	**24,278,867**

Interest on Arrear Debtor Accounts		
Current (0 -30 days)	1,173,454	432
31 - 60 days	1,142,749	1,100,640
61 - 90 days	1,167,758	1,082,057
91 - 120 days	1,129,924	1,066,646
121 - 365 days	-	1,053,715
> 365 days	69,955,937	64,994,167
	74,569,822	**69,297,657**

Other		
Current (0 -30 days)	794,592	60,402
31 - 60 days	269,265	430,059
61 - 90 days	337,724	268,299
91 - 120 days	283,506	270,418
121 - 365 days	-	314,503
> 365 days	15,818,145	14,993,720
	17,503,232	**16,337,401**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Consumer debtors (continued)

Summary of debtors by customer group

Organs of State		
Current (0 -30 days)	328,633	228,517
31 - 60 days	154,706	176,312
61 - 90 days	122,319	25,550
91 - 120 days	349,934	(17,615)
> 365 days	287,873	78,490
	1,243,465	**491,254**
Industrial/ commercial		
Current (0 -30 days)	1,388,297	483,802
31 - 60 days	223,031	1,219,267
61 - 90 days	114,758	437,339
91 - 120 days	90,789	153,002
121 - 365 days	-	106,398
> 365 days	2,926,187	4,295,539
	4,743,062	**6,695,347**
Households		
Current (0 -30 days)	8,481,143	4,111,673
31 - 60 days	6,942,818	4,988,863
61 - 90 days	3,441,684	2,737,101
91 - 120 days	3,239,737	5,222,801
> 365 days	173,040,942	162,908,611
	195,146,324	**179,969,049**
Other		
Current (0 -30 days)	(1,904,068)	(4,331,619)
31 - 60 days	(3,225,846)	(390,686)
61 - 90 days	16,910	922,211
91 - 120 days	(308,225)	(2,035,328)
121 - 365 days	-	3,241,933
> 365 days	14,045,352	10,192,102
	8,624,123	**7,598,613**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(146,269,399)	(143,265,659)
Contributions to allowance	(28,328,015)	(16,426,609)
Debt impairment written off against allowance	24,431,559	13,422,869
	(150,165,855)	**(146,269,399)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,035	98
Bank balances	10,287,534	6,642,610
Cash float	874	874
	10,289,443	**6,643,582**

The management of the municipality is of the opinion that the carrying value of Cash and Cash equivalents recorded at amortised costs costs in the Annual Financial Statements approximate their fair values.

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
FNB BANK - Demand Deposit (Human Settlement) - 62033415771	-	24,945	8,507	(306)	59,185	8,508
FNB BANK - Demand Deposit (Library) - 62299708506	-	12,343	21,512	-	12,272	21,515
FNB BANK - Demand Deposit (MIG) - 6224577050	-	11,253	20,476	(66)	21,187	20,476
FNB BANK - Cheque Account - 53630018381	528,491	705,839	835,101	10,287,534	1,067,394	1,067,394
Total	**528,491**	**754,380**	**885,596**	**10,287,162**	**1,160,038**	**1,117,893**

12. Finance lease obligation

	2018	2017
Minimum lease payments due		
- within one year	280,213	242,165
- in second to fifth year inclusive	319,516	87,529
	599,729	329,694
less: future finance charges	(37,060)	(16,354)
Present value of minimum lease payments	**562,669**	**313,340**
Present value of minimum lease payments due		
- within one year	254,331	230,906
- in second to fifth year inclusive	308,339	82,433
	562,670	**313,339**
Non-current liabilities	308,339	82,434
Current liabilities	254,328	230,906
	562,667	**313,340**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2018	2017
Unspent conditional grants and receipts		
Municipal Infrastructure grant	8,880,455	7,193,506
LG SETA Grant	-	18,908
Library	-	498,146
Boineelo	(4,047)	(1,349)
Skills development grant	9,976	9,976
EPWP	-	13,568
	8,886,384	**7,732,755**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 22 for reconciliation of grants from National/Provincial Government.

14. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Provision for Landfill site	3,069,819	256,186	3,326,005
Provision for bonus	1,030,083	165,772	1,195,855
Leave provision	3,188,406	2,686,915	5,875,321
	7,288,308	**3,108,873**	**10,397,181**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Provision for landfill site	4,753,496	(1,683,677)	3,069,819
Provision for bonus	1,091,199	(61,116)	1,030,083
Leave provision	5,325,573	(2,137,167)	3,188,406
	11,170,268	**(3,881,960)**	**7,288,308**

Non-current liabilities	3,326,005	3,069,819
Current liabilities	7,071,176	4,218,489
	10,397,181	**7,288,308**

Long Service Award

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2018 by One Pangaea Expertise & Solutions ('OPES'), Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	2018	2017
Balance at the beginning of the year	2,551,694	2,252,651
Service cost	243,044	231,049
Finance cost	204,224	187,638
Benefits paid	(254,344)	(109,735)
Acturial gain / (loss)	56,664	(9,909)
	2,801,282	**2,551,694**

	2018	2017
Non current liability	2,254,336	2,297,350
Current liability	546,946	254,344
	2,801,282	**2,551,694**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

15. Payables from exchange transactions

Trade payables	103,437,333	88,001,781
Unallocated deposits	8,381,701	5,445,676
Other payables	63,821	(586)
Salary deduction control	3,045,949	(850,217)
Debtors with credit balances	266,654	266,654
Retentions	3,154,670	3,673,430
Accruals	-	1,093,683
	118,350,128	**97,630,421**

16. VAT payable

Tax refunds payables	33,480,255	-

17. Consumer deposits

Electricity	673,021	584,333
Housing rental	1,812,652	1,122,694
	2,485,673	**1,707,027**

Consumer deposits consists of deposits for new electricty connections and stand deposits for Erf's that have been sold by the municipality.

18. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	5,844,208	5,844,208
Receivables from non-exchange transactions	-	881,978	881,978
Consumer debtors	-	59,591,120	59,591,120
Cash and cash equivalents	10,289,443	-	10,289,443
	10,289,443	**66,317,306**	**76,606,749**

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	118,350,128	-	118,350,128
Finance lease	562,667	-	562,667
Consumer deposits	2,485,673	-	2,485,673
Unspent conditional grants	-	8,886,384	8,886,384
Employee benefit obligation	30,254,235	-	30,254,235
Provisions	10,397,181	-	10,397,181
	162,049,884	**8,886,384**	**170,936,268**

2017

Financial assets

. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	3,426,342	3,426,342
Other receivables from non-exchange transactions	-	527,855	527,855
Consumer debtors	-	48,484,863	48,484,863
Cash and cash equivalents	6,643,582	-	6,643,582
	6,643,582	**52,439,060**	**59,082,642**

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	97,630,421	-	97,630,421
Finance lease	313,340	-	313,340
Consumer deposits	1,707,027	-	1,707,027
Unspent conditional grants	-	7,732,755	7,732,755
Employee benefit obligation	27,286,200	-	27,286,200
Provisions	7,288,308	-	7,288,308
	134,225,296	**7,732,755**	**141,958,051**

19. Revenue

	2018	2017
Service charges	58,363,202	52,562,655
Rental of facilities and equipment	460,257	656,398
Licences and permits	849,278	1,499,490
Other income - (rollup)	7,926,836	2,136,308
Interest received - investment	12,868,961	9,577,300
Property rates	10,061,381	12,053,788
Government grants & subsidies	71,814,115	66,502,627
Public contributions and donations	-	380,027
Fines, Penalties and Forfeits	443,600	360,700
	162,787,630	**145,729,293**

	2018	2017
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	58,363,202	52,562,655
Rental of facilities and equipment	460,257	656,398
Licences and permits	849,278	1,499,490
Other income - (rollup)	7,926,836	2,136,308
Interest received - investment	12,868,961	9,577,300
	80,468,534	**66,432,151**

	2018	2017
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	10,061,381	12,053,788
Transfer revenue		
Government grants & subsidies	71,814,115	66,502,627
Public contributions and donations	-	380,027
Fines, Penalties and Forfeits	443,600	360,700
	82,319,096	**79,297,142**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Property rates

Rates received

Agricultural	156,807	2,769,977
Business	4,792,499	4,498,860
Government property	1,891,173	1,777,342
Industrial	2,265	2,128
Residential	3,218,637	3,005,481
	10,061,381	**12,053,788**

Valuations

21. Service charges

Sale of electricity	29,317,359	31,478,867
Sale of water	9,349,630	5,814,656
Sewerage and sanitation charges	11,943,082	7,992,462
Refuse removal	7,753,131	7,276,670
	58,363,202	**52,562,655**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Government grants and subsidies

Operating grants		
Equitable share	51,502,000	51,070,000
Financial Management Grant	2,345,000	2,010,000
EPWP	1,258,569	1,146,629
LG Seta Grant	299,708	409,492
Library Grant	2,198,146	1,642,087
Boineelo	641	-
	57,604,064	56,278,208
Capital grants		
Municipal Infrastructure Grant	14,210,051	10,224,419
	14,210,051	10,224,419
	71,814,115	**66,502,627**

Equitable Share

This grant is an unconditional grant and it is partially utilised for the provision of indigent support through basic services.

All registered indigents receive a rebate of 100% on assesment rates and are subsidised for other services. This grant is made up of allocations from National Treasury 2018: R45 502 000; 2017: R45 070 000 and Dr Ruth Segomotsi Mompati District Municipality 2018: R4 000 000; 2017:R6 000 000 for water and sanitation for indigents.

Municipal Infrastructure Grant

Balance unspent at beginning of year	7,193,506	-
Current-year receipts	15,897,000	17,417,925
Conditions met - transferred to revenue	(14,210,051)	(10,224,419)
	8,880,455	**7,193,506**

Conditions still to be met - remain liabilities (see note 13)
This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of poor house holds.

Boineelo

Balance unspent at beginning of year	308	30,554
Conditions met - transferred to revenue	(640)	(30,246)
	(332)	**308**

Conditions still to be met - remain liabilities (see note 13).

Boinelo Grant was received by the municipality to assist in the dailly operations of the NGOs.

LG SETA Grant

Balance unspent at beginning of year	18,908	-
Current-year receipts	280,800	428,400
Conditions met - transferred to revenue	(299,708)	(409,492)
	-	**18,908**

Conditions still to be met - remain liabilities (see note 13)
This grant is for skills development in the municipal area.

Library Grant - Capital

Balance unspent at beginning of year	498,146	590,233

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Government grants and subsidies (continued)

Current-year receipts	1,150,000	1,000,000
Conditions met - transferred to revenue	(1,648,146)	(1,092,087)
	-	**498,146**

Conditions still to be met - remain liabilities (see note 13).
The grant was received from the Department of Sports, Arts, Culture and Recreation to assist with the building of the library.

Expanded Public Works Programs

Balance unspent at beginning of year	13,568	82,197
Current-year receipts	1,245,000	1,078,000
Conditions met - transferred to revenue	(1,258,568)	(1,146,629)
	-	**13,568**

Conditions still to be met - remain liabilities (see note 13).
EPWP is a job creation project in previously disadvantaged areas

Financial Management Grant

Current-year receipts	2,345,000	2,010,000
Conditions met - transferred to revenue	(2,345,000)	(2,010,000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

The FMG is paid by National Treasury to medium capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (eg salary costs of the Financial Management Interns).

Library grant - Operational

Current-year receipts	550,000	550,000
Conditions met - transferred to revenue	(550,000)	(550,000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

The grant was received from the Department of Sports, Arts, Culture and Recreation to assist with the daily operations of the library.

Intergrated National Electricity Grant

Balance unspent at beginning of year	9,976	9,976

Conditions still to be met - remain liabilities (see note 13).

The grant was received from the Department of Energy for the refurbishments of the aged electricity network for Mamusa local municipality.

23. Public contributions and donations

Public contributions and donations	-	380,027

The donation relates to machinery and equipment that was donated by the Department of Sports, Arts and Culture North West to Mamusa local municipality.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Other revenue

Other income - (rollup)	7,926,836	2,136,308

25. Other income

Bid documents	52,134	-
Camping & fishing	45,524	5,614
Cemetry fees	319,893	296,958
Commission auctions	165,795	120,566
Connection fees	85,007	103,319
Enterance fees	136,038	95,125
Insurance income	6,465,961	523,995
Plan fees	23,641	84,376
Sale of Erf	(1)	-
Valuation and clearance certificates	142,912	17,505
Sundry income	489,932	888,850
	7,926,836	**2,136,308**

26. General expenses

Advertising	198,192	219,594
Accomodation	-	5,596
Auditors remuneration	975,309	2,353,645
Assets expensed	17,113	25,928
Bank charges	275,717	379,135
Consumables	179,172	598,399
Donations	115,290	-
Electricity	3,695,724	5,100,507
Fines and penalties	16,612	-
Magazines, books and periodicals	337,589	898,730
Other expenses	495,952	513,156
Postage and courier	739,568	1,094,832
Protective clothing	59,023	125,919
Licenses	147,344	191,778
Refreshments and meals	112,314	199,970
Software expenses	230,859	1,206,648
Subscriptions and membership fees	526,700	-
Training	1,267,964	1,173,671
Travel - local	1,517,493	2,596,490
Water	-	5,549
Landfill expense	160,715	(1,778,747)
	11,068,650	**14,910,800**

Figures in Rand	2018	2017

27. Employee related costs

Basic	31,361,623	27,064,572
Bonus	2,750,378	2,215,990
Medical aid - company contributions	4,271,055	13,175,243
UIF	339,375	317,990
Leave pay provision charge	2,897,347	(1,725,842)
Other allowances	1,125,827	538,883
Pension fund contribution	5,124,908	4,551,304
Travel, motor car, accommodation, subsistence and other allowances	3,139,060	3,090,542
Overtime payments	2,998,961	2,061,706
Long-service awards	-	299,043
Acting allowances	1,179,425	1,187,083
Housing benefits and allowances	674,401	861,980
Telephone allowance	174,845	174,813
Group insurance	313,575	278,300
Bargaining council	18,549	17,794
	56,369,329	**54,109,401**

Remuneration of the Municipal Manager

Annual Remuneration	106,647	415,645
Car Allowance	24,466	145,490
Housing allowance	-	87,294
Telephone allowance	5,500	8,000
Contributions to UIF, Medical and Pension Funds	6,092	8,183
Acting allowance	586,266	130,883
Leave termination	-	103,816
Remote Allowance	21,329	-
	750,300	**899,311**

Remuneration of Chief Finance Officer

Annual Remuneration	339,015	308,056
Subsistence allowance	107,009	102,918
Housing allowance	-	60,431
Telephone allowance	3,500	6,300
Acting allowance	189,998	29,887
Contributions to UIF, Medical and Pension Funds	7,607	15,025
Leave Termination	-	54,112
Remote Allowance	13,561	-
	660,690	**576,729**

Remuneration of the Corporate Services Director

Annual Remuneration	192,509	460,081
Travel allowance	51,459	205,836
Housing allowance	28,503	114,012
Telephone allowance	2,400	10,800
Contributions to UIF, Medical and Pension Funds	14,384	53,061
Subsistence allowance	1,963	81,619
Acting Allowance	113,833	-
Remote Allowance	3,100	-
	408,151	**925,409**

Remuneration of the Technical Services Director

Figures in Rand	2018	2017

27. Employee related costs (continued)

Annual Remuneration	-	183,661
Travel allowance	-	68,612
Housing allowance	-	41,167
Contributions to UIF, Medical and Pension Funds	7,205	4,328
Telephone allowance	2,400	3,780
Subsistence allowance	1,490	53,826
Acting allowance	377,570	-
	388,665	**355,374**

Remuneration of Community Services Director

Annual Remuneration	339,015	284,290
Subsistence allowance	23,134	78,202
Travel allowance	-	91,260
Telephone Allowance	3,500	8,400
Acting Allowance	149,091	307,940
Contributions to UIF, Medical and Pension Funds	4,361	105,976
	519,101	**876,068**

28. Remuneration of councillors

Mayor's basic salary	470,413	493,312
Mayor's Travel and Subsistence allowance	288,201	295,798
Mayor's Housing allowance	40,663	49,161
Mayor's Telephone allowance	27,831	22,308
Mayor's contribution to UIF, Medical and Pension fund	90,743	87,768
Councillors basic salary	3,212,125	2,865,364
Councillors Travel allowance	620,224	640,990
Councillors Housing allowance	647,254	566,056
Councillors Telephone allowance	477,354	368,082
Contributions to UIF, Medical and Pension fund	528,552	611,772
	6,403,360	**6,000,611**

29. Debt impairment

Debt impairment	3,896,456	3,003,741

Debt impairment relates to movement in the provision for trade debtors.

30. Interest earned

Interest revenue		
Bank	349,917	86,642
Interest charged on trade and other receivables	12,519,044	9,490,658
	12,868,961	**9,577,300**
	-	-
	12,868,961	9,577,300

31. Fair value adjustments

Landfill site fair value adjustment	7,883,000	2,267,000

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

32. Depreciation and amortisation

Property, plant and equipment	26,535,159	20,767,384
Intangible assets	193,405	192,984
	26,728,564	**20,960,368**

33. Impairment of assets

Impairments		
Property, plant and equipment	-	2,512,806
Impairment loss relates to the impairment of the municipal building that was burnt.		

34. Finance costs

Trade and other payables	8,114,750	6,501,817
Bank	-	57,028
Landfill site provision interest charge and finance lease	95,471	121,908
Other interest paid - Long service awards and defined benefit plan	2,588,490	-
	10,798,711	**6,680,753**

35. Auditors' remuneration

Fees	975,309	2,353,645

36. Rental of facilities and equipment

Premises		
Rental of townhalls	34,959	70,922
Rental of townlands	417,057	585,476
Rental of estates	8,240	-
	460,256	**656,398**

37. Contracted services

Business and Advisory	3,882,264	7,242,194
Infrastructure and Planning	22,302	-
Legal Cost	5,228,852	798,846
Cleaning Services	48,667	61,475
Security Services	1,974,141	3,201,508
Meter Management	175,601	157,950
Communications	704,517	-
Gas	577,769	1,172,484
Insurance	1,190,417	1,716,698
Sewerage Services	260,724	3,387,293
	14,065,254	**17,738,448**

38. Bulk purchases

Electricity	28,418,688	26,162,714

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

39. Cash generated from operations

Deficit	(17,657,860)	(24,795,988)
Adjustments for:		
Depreciation and amortisation	26,728,564	20,960,368
Gain on sale of assets and liabilities	-	2,531,952
Fair value adjustments	(7,883,000)	(2,267,000)
Impairment deficit	-	2,512,806
Bad debts	3,896,456	3,003,741
Movements in retirement benefit assets and liabilities	2,968,035	9,923,199
Movements in provisions	3,108,873	(3,881,960)
Other Non- Cash items-employee cost write off	-	(10,527)
Other non-cash items- inventory write off	-	(358,231)
Other non-cash items- donated assets	-	(380,027)
Changes in working capital:		
Inventories	179,172	358,231
Receivables from exchange transactions	(2,417,866)	(3,358,942)
Consumer debtors	(15,002,709)	(18,557,803)
Other receivables from non-exchange transactions	(354,123)	(209,310)
Payables from exchange transactions	20,719,707	28,008,319
VAT	(1,021,287)	3,271,871
Unspent conditional grants and receipts	1,153,629	7,021,452
Consumer deposits	778,646	280,557
	15,196,237	**24,052,708**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	18,773,686	13,319,357
Total capital commitments		
Already contracted for but not provided for	18,773,686	13,319,357

41. Contingencies

Contingent Liabilities

There is a litigation between the municipality and Mr. R R Gincane (represented by legal wise) where he alleged that he was unfairly dismissed from his position as Municipal Manager, the matter was referred to CCMA and the municipality is awaiting the court date, the estimated costs for the unfair dismissal and legal costs amounts to the value of R200 000 which is made up of 5 months salary and legal costs.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Related parties

Official	Name of spouse/ partner or associate	Associate company	Supplier business done with	2018	2017
Coetzee R	S O Maruping	Rona re fitlhile	Marups Trading Enterprise	-	1,087,999
Chelechele D T	OP Ramatolo	Relosika Mining Supply and Projects	Uncle paul Distributors	25,000	-
Sepato TM	JK Leroux	supatsela project management	Agang General Dealer	28,000	-
Morolong IK	TG madevu	kemogo Trading Enterprise	Madevu's trading Enterprise	112,861	431,979
Mtshamba SH	H Mokwene	Ipelegeng res Club	Herman Mokwene	128,900	-
Khasu MP	RA Leroux	baruakgomo rhino farm	L Roux Logistics and projects	9,000	25,100
Sirwe SD	Maine TA		Tshwaela Trading and projects	129,467	293,158
Dr Ruth Segomotsi Mompati District Municipality	N/A		N/A	4,000,000	6,000,000
Department of Water and Sanitation	N/A		N/A	-	55,494
Department of transport	N/A		N/A	102,384	54,591
Subtotal	-	-	-	4,535,612	7,948,321
				4,535,612	**7,948,321**

Management is regarded as a related party and comprises of Councillors. The Mayor, Mayoral committee members, Municipal manager and directors. Refer to note 28, 27, and the General information page. Refer to note 43 for councillors arreas accounts

Transactions with councillors	**Opening balance**	**Billing**	**Payments received**	**Closing balance**
MR Chubisi E	(635)	1,461	(851)	(25)
MR Sarel S	18,364	2,073	(185)	20,252
MR Herbst CP	2,166	24,483	(24,753)	1,896
MRS Keohitlhetse NA	20,156	5,608	-	25,764
MR Khuduga DP	(1)	1,178	(1,189)	(12)
MR Killian NM	1,749	20,582	(22,372)	(41)
MRS Lee MV	295	5,527	(4,143)	1,679
MR Mongale L.L	6,221	5,074	(400)	10,895
MR Maine EK	(21)	3,007	(2,995)	(9)
MNR Motswana A	(4)	1,023	(1,036)	(17)
MS Moyake MY	193	5,901	(8,713)	(2,619)
MS Mpitsang PF	80,526	6,481	(5,275)	81,732
MS Rapudi MJ	68,752	5,992	(5,600)	69,144
MR Sediti KS	(62)	2,369	(2,315)	(8)
MR Sepato TM	(73)	2,991	(2,952)	(34)
MRS Silane LR	151	2,189	(2,506)	(166)
MS Molefe V L	4,800	3,200	(7,602)	398
	202,577	**99,139**	**(92,887)**	**208,829**

The transactions with councillors relates to amounts owing by councillors in relation to services provided by the municipality

43. Prior period errors

The following prior period error corrections were done for the 2015/16 financial year: Para 44

Subject to paragraph .45, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

(a) Restating the comparative amounts for the prior period(s) presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

Disclosure of prior period errors

Para 51

In applying paragraph 44, an entity shall disclose the following:

(a) the nature of the prior period error;

(b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;

(c) the amount of the correction at the beginning of the earliest prior period presented; and

(d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Financial statements of subsequent periods need not repeat these disclosures.

For each and every correction. I suggest you use the example below.Para 44

Subject to paragraph .45, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

(a) Restating the comparative amounts for the prior period(s) presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

Disclosure of prior period errors

Para 51

In applying paragraph 44, an entity shall disclose the following:

(a) the nature of the prior period error;

(b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;

(c) the amount of the correction at the beginning of the earliest prior period presented; and

(d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

The correction of the error(s) results in adjustments as follows:

43. Prior period errors (continued)

	As previously reported in 2017	Amount of correction	Restated 2017
		-	-
In the prior subsistence and travel allowance expenditure was incorrectly captured under salary clearing control: travel control account. Correction of the error resulted in the following adjustment:	-	-	-
Increase in travel expenditure	1,127,289	1,455,201	2,582,490
Decrease in Salary deduction control	7,641,015	(1,455,201)	6,185,814
	-	-	-
In the prior year 3rd party payments were incorrectly captured under Trade and Other Payable Exchange Transactions:Affiliates Related Parties and Associated Companies. Correction of the error resulted in the following adjustment:	-	-	-
Decrease in Salary deduction control	6,185,814	797,629	6,983,443
Increase in Unallocated deposits	(3,944,618)	(797,629)	(4,742,247)
	-	-	-
In the prior salary payments were incorrectly captured twice in the salary control and cashbook. Correction of the error resulted in the following adjustment:	-	-	-
Increase in cash and cash equivalents	510,356	6,133,225	6,643,581
Increase in Salary Clearing and Control: Salary Control	6,983,443	(6,133,225)	850,218
	-	-	-
In the prior year telkom invoices were not captured or raised as accrual resulting in expenses being understated and creditors being understated. Correction of the error resulted in the following adjustment:	-	-	-
Increase in telephone expenses	614,479	255,441	869,920
Increase in VAT input	482,164	35,762	517,926
Increase in creditors	(85,727,359)	(291,203)	(86,018,562)
	-	-	-
In the prior year telkom invoices with finance charges were not captured or raised as accrual resulting in expenses being understated and creditors being understated. Correction of the error resulted in the following adjustment:	-	-	-
Increase in finance charges	6,489,335	12,482	6,501,817
Increase in creditors	(86,018,562)	(12,482)	(86,031,044)
	-	-	-
In the prior year eskom invoices were not captured or raised as accrual resulting in expenses being understated and creditors being understated. Correction of the error resulted in the following adjustment:	-	-	-
Increase in eskom expenses	4,988,814	111,694	5,100,508
Increase in Creditors	(86,031,045)	(111,694)	(86,142,739)
	-	-	-
In the prior year fuel invoices were not captured or raised as accrual resulting in expenses being understated and creditors being understated. Correction of the error resulted in the following adjustment:	-	-	-
Increase in wet fuel expenses	1,431,143	67,586	1,498,729
Increase in Creditors	(86,142,738)	(67,586)	(86,210,324)
	-	-	-
In the prior year mayoral fund-donation and bursary invoices were not captured or raised as accrual resulting in expenses being understated and creditors being understated. Correction of the error resulted in the following adjustment:	-	-	-

43. Prior period errors (continued)

Increase in mayoral fund expenses	-	14,000	14,000
Increase in Creditors	(86,210,324)	(14,000)	(86,224,324)
	-	-	-
In the prior year munsoft expenses invoices were not captured or raised as accrual resulting in expenses being understated and creditors being understated. Correction of the error resulted in the following adjustment:	-	-	-
Increase in munsoft expenses	6,035,126	684,132	6,719,258
Increase in Creditors	(86,224,324)	(684,132)	(86,908,456)
	-	-	-
In the prior year invoices for Abel bester statements were incorrectly captured as expenses resulting in expenses being overstated and creditors being overstated. Correction of the error resulted in the following adjustment:	-	-	-
Decrease in legal fees	6,719,258	(160,488)	6,558,770
Decrease in Creditors	(86,908,456)	160,488	(86,747,968)
	-	-	-
In the prior year invoices for NDULAMISO AQUA SOLUTIONS were incorrectly captured twice resulting in expenses being overstated and creditors being overstated. Correction of the error resulted in the following adjustment:	-	-	-
Decrease in chemicals expense	3,121,004	(326,245)	2,794,759
Decrease in Creditors	(86,747,968)	326,245	(86,421,723)
	-	-	-
In the prior year Grant received and spent for 1438925,05 from the district was not captured and was recognised as unspent grant and no revenue was recognised for the spent amount.Correction of the error resulted in the following adjustments:	-	-	-
Increase in MIG Grant Revenue	(8,785,494)	(1,438,925)	(10,224,419)
Decrease in unspent conditional Grant	(1,438,925)	1,438,925	-
	-	-	-
In the prior year the amount disclosed in the AFS for infrastructure was more than the asset register.Correction of the error resulted in the following adjustments:	-	-	-
Decrease in Infrastructure	382,931,530	(649,522)	382,282,008
Decrease in accumulated surplus	(342,862,346)	649,522	(342,212,824)
	-	-	-
ARC invoices relating to consulting was incorrectly captured in the current year instead of prior year. Correction of the error resulted in the following adjustment:	-	-	-
Increase in consulting and professional fees	6,558,770	266,289	6,825,059
Increase in Creditors	(86,421,723)	(266,289)	(86,688,012)
	-	-	-
In the prior year consulting invoices relating to prior year were not captured or raised as accrual resulting in expenses being understated and creditors being understated. Correction of the error resulted in the following adjustment:	-	-	-
Increase in consulting fees expenses	6,825,059	1,301,770	8,126,829
Increase in Creditors	(86,688,012)	(1,301,770)	(87,989,782)
	-	-	-
In the prior year membership invoices were not captured or raised as accrual resulting in expenses being understated and creditors being understated. Correction of the error resulted in the following adjustment:	-	-	-
Increase in membership fees expenses	-	12,000	12,000
Decrease in Creditors	(87,989,782)	(12,000)	(88,001,782)
	-	-	-

43. Prior period errors (continued)

In the prior year the municipality had a liability of 35 524.36 as opening balance for money owing to employees, however themunicipality does not owe those employees therefore the amount needs to be return off.Correction of the error resulted in the following adjustment:	-	-	-
Decrease in other payables	(738,368)	35,524	(702,844)
Increase in returned surplus	(342,212,824)	(35,524)	(342,248,348)
	-	-	-
In the prior year the municipality had a receivable of 45 282.44 as opening balance for money employees owe the municipality, however the municipality had deducted the money from the employees salary therefore the amount needs to be return off.Correction of the error resulted in the following adjustment:	-	-	-
Decrease in employee cost in advance	70,275	(45,282)	24,993
Decrease in accumulated surplus	(342,248,348)	45,282	(342,203,066)
In the prior year the municipality had a liability relating to a Human settlement grant for R15 580 349 received in 2006 for the RDP house, however the money was spent on the RDP house but the money was not recognised as revenue for conditions met resulting in a liability. Correction of the error resulted in the following adjustment:	-	-	-
Decrease in other Liability	(15,580,349)	15,580,349	-
Increase in Accumulated surplus	(342,203,066)	(15,580,349)	(357,783,415)
	-	-	-
In the prior year unallocated deposits were disclosed as other payables. Correction of the error resulted in the following adjustment:	-	-	-
Increase in allocated deposits	(3,944,618)	(703,430)	(4,648,048)
Decrease in other payables	(738,368)	703,430	(34,938)
	-	-	-
During the year the municipality performed conditional assessment to assets that had zero useful life which resulted in a restatement of prior year balances . Correction of the error resulted in the following adjustment:	-	-	-
Increase in Land and building cost	249,331,233	1,096,380	250,427,613
Increase in Infrastructure cost	382,282,008	1,736,981	384,018,989
Decrease in land and buildings accumulated depreciation	(113,897,710)	484,683	(113,413,027)
Decrease in Infrastructure accumulated depreciation	(172,482,471)	7,052,215	(165,430,256)
	-	-	-
During the year the an invoice received in the prior year with surety was not captured in the prior year in WIP . Correction of the error resulted in the following adjustment:	-	-	-
Increase in WIP	11,070,681	596,822	11,667,503
Decrease in Governemnt Subsidy	3,998,172	(596,822)	3,401,350
	(1,546,790,830)	**10,370,259**	**(1,536,420,571)**

44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

44. Prior-year adjustments (continued)

2017

	Note	As previously reported	Correction of error	Reclassification	Restated
Accumulated surplus		(342,862,346)	(23,036,390)	-	(365,898,736)
Salary deduction control		7,641,015	(7,588,426)	797,629	850,218
Unallocated deposits		(3,944,618)	-	(797,629)	(4,742,247)
Cash and cash equivalents		510,356	6,133,225	-	6,643,581
VAT control		482,164	35,762	-	517,926
Increase in Trade Payables		(85,727,359)	(1,985,450)	-	(87,712,809)
Unspent Laibility- FMG		(1,438,925)	1,438,925	-	-
Non-Current Assets-Infrastructure		382,931,530	(649,522)	-	382,282,008
Unallocated deposits		(4,742,247)	-	(703,430)	(5,445,677)
Other Payables		(738,368)	-	703,430	(34,938)
Other Liability 1		(15,580,349)	155,803,349	-	140,223,000
Land and buildings Cost		249,331,233	1,096,380	-	250,427,613
Infrastructure Cost		382,282,008	1,736,981	-	384,018,989
Land and buildings- Accumulated depreciation		(113,897,710)	484,683	-	(113,413,027)
Infrastructure- Accumulated depreciation		(172,482,471)	7,052,215	-	(165,430,256)
		281,763,913	**140,521,732**	**-**	**422,285,645**

Statement of finanical performance

2017

	Note	As previously reported	Correction of error	Restated
General expenditure-Travel		1,127,289	1,455,201	2,582,490
General expenditure-Telephone		789,436	255,441	1,044,877
Finance costs		6,489,335	12,482	6,501,817
General expenditure-Electricity		4,988,814	111,694	5,100,508
General expenditure-Fuel and oil		1,431,143	67,586	1,498,729
General expenditure-Consulting and professional fees		6,035,126	684,132	6,719,258
General expenditure-Consulting and professional fees		6,719,258	(160,488)	6,558,770
General expenditure-Chemicals		3,121,004	(326,245)	2,794,759
General expenditure-Consulting and professional fees		6,558,770	266,289	6,825,059
General expenditure-Consulting and professional fees		6,825,059	1,301,770	8,126,829
General expenses- membership fees		-	12,000	12,000
Grant revenue-MIG		(8,785,494)	(1,438,925)	(10,224,419)
General expenses- mayoral fund		-	14,000	14,000
Surplus for the year		**35,299,740**	**2,254,937**	**37,554,677**

45. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

45. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

46. Unauthorised expenditure

Opening balance	201,969,252	82,241,376
Add: Unauthorised expenditure - current year	5,831,187	119,727,876
Closing balance - awaiting condonement	**207,800,439**	**201,969,252**

This is due to actual expenditure exceeding the approved budget and this is to be presented to the council in the 2018/19 financial year.

47. Fruitless and wasteful expenditure

Opening balance	16,396,135	8,008,553
Add: Prior year adjustment 2014/15	-	152,434
Add: Prior year adjustment 2015/16	-	916,729
Add: Fruitless and wasteful expenditure - current year	10,269,849	7,318,419
Closing balance - awaiting condonement	**26,665,984**	**16,396,135**

These are penalties and interest that arose due to late payment to service providers.

48. Irregular expenditure

Opening balance	146,229,306	88,113,849
Add: Prior year adjustment 2014/15	-	16,876,064
Add: Prior year adjustment 2015/16	-	34,591,695
Add: Irregular Expenditure - current year	6,688,732	6,647,698
Closing balance - awaiting condonement	**152,918,038**	**146,229,306**

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Opening balance	500,000	420,108
Current year subscription / fee	538,700	79,892
	1,038,700	**500,000**

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	1,172,402	2,098,437
Current year subscription / fee	984,309	73,965
Amount paid - current year	(1,632,477)	(1,000,000)
	524,234	**1,172,402**

PAYE and UIF

Amount paid - current year	1,401,687	6,761,642

Pension and Medical Aid Deductions

Amount paid - current year	7,522,640	14,334,265

VAT

VAT receivable	35,019,468	517,926
VAT payable	33,480,255	-
	68,499,723	**517,926**

VAT output payables and VAT input receivables are shown in note 16.

All VAT returns have been submitted by the due date throughout the year.

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MR Chubisi E	(24)	-	(24)
MR Sarel S	636	19,616	20,252
MR Herbst CP	1,896	-	1,896
MRS Keohitlhetse NA	1,698	24,066	25,764
MR Khuduga DP	(12)	-	(12)
MR Killian NM	(41)	-	(41)
MRS Lee MV	1,611	68	1,679
MR Mongale L.L	1,495	9,400	10,895
MR Maine EK	(10)	-	(10)
MNR Motswana A	(17)	-	(17)
MS Moyake MY	(2,620)	-	(2,620)
MS Mpitsang PF	2,319	79,413	81,732
MS Rapudi MJ	2,023	67,121	69,144
MR Sediti KS	(8)	-	(8)
MR Sepato TM	(34)	-	(34)
MRS Silane LR	(167)	-	(167)
MS Molefe V L	398	-	398
	9,143	**199,684**	**208,827**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MR Chubisi E	115	(750)	(635)
MR Digopo TM	425	5,839	6,264
MR Herbst CP	2,166	-	2,166
MRS Keohitlhetse NA	1,272	18,884	20,156
MR Khuduga DP	(1)	-	(1)
MR Killian NM	1,749	-	1,749
MRS Lee MV	295	-	295
MR Lucas MJ	935	8,857	9,792
MR Maine EK	(21)	-	(21)
MNR Motswana A	(4)	-	(4)
MS Moyake MY	193	-	193
MS Mpitsang PF	2,177	78,349	80,526
MS Rapudi MJ	1,818	66,934	68,752
MR Sediti KS	(62)	-	(62)
MR Sepato TM	(73)	-	(73)
MRS Silane LR	151	-	151
MS Molefe V L	815	3,985	4,800
	11,950	**182,098**	**194,048**